FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Hy-Drive Technologies Ltd.
6705 Millcreek Drive, Unit 4
Mississauga, Ontario L5N 5M4

Item 2 Date of Material Change

May 19, 2010

Item 3 News Release

A news release was issued on May 19, 2010 through Canada NewsWire and subsequently filed on SEDAR.

Item 4 Summary of Material Change

Hy-Drive Technologies Ltd. (“Hy-Drive” or the “Company”) announced that it had issued Cdn$4,028,001 units (“Units”) of the Company pursuant to its previously announced “best efforts” private placement (the “Offering”).

Item 5 Full Description of Material Change

Hy-Drive announced that it had issued Cdn$4,028,001 of Units of the Company pursuant to the Offering.

The Company issued 13,426,664 Units at a price of Cdn$0.30 per Unit, pursuant to the Offering. Each Unit was comprised of one common share (a "Share") of the Company and one-half of one warrant (a "Warrant") with each whole Warrant exercisable for one Share of the Company at an exercise price of Cdn$0.46 per share for a period of five years.

The Company issued 12,999,996 Units on a brokered basis and 426,668 Units on a non-brokered basis. CapStone Investments ("CapStone") acted as non-Canadian placement agent in connection with the Offering and received a cash fee of Cdn.$189,000 and 780,000 broker warrants, each exercisable for one Share at price of Cdn$0.46 per share for a period of two years. In addition, the Company had previously issued CapStone 100,000 warrants exercisable for Shares at a price of Cdn.$0.494 per share in consideration of financial advisory services valued at USD$35,000.

The net proceeds of the Offering will be used by the Company for working capital, marketing and production of HGS units, production of the mining HGS and for capital expenditures required to complete the development of IP for engine platforms other than Caterpillar.

All securities issued or issuable pursuant to the Offering are subject to hold period expiring on September 20, 2010, in accordance with the policies of the TSX Venture Exchange and applicable securities laws.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not Applicable.

Item 7 Omitted Information

Not Applicable.

Item 8 Executive Officer

Shannon Brander, Vice-President Administration & Secretary; Tel: (905) 542-3024.

Item 9 Date of Report

May 27, 2010

Cautionary Note Regarding Forward-Looking Information

This material change report contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information concerning Hy-Drive's intended use of the net proceeds from the private placement. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". Forward-looking information is based on the opinions and estimates of management at the date the information is made, and is based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. Many of these assumptions are based on factors and events that are not within the control of Hy-Drive and there is no assurance they will prove to be correct. Factors that could cause actual results to vary materially from results anticipated by such forward-looking information include risks associated with Hy-Drive's business, including, without limitation, factors relating to the marketing, development and commercialization of Hy-Drive existing and prospective product lines, regulatory approvals and requirements, changes in foreign exchange and interest rates, government regulation, environmental risks, capital expenditures, intellectual property, operating or technical difficulties, availability of skilled labour and equipment, and changes in project parameters as plans continue to be refined as well as those risk factors discussed in Hy-Drive's Management's Discussion and Analysis for the period ended March 31, 2010 at www.sedar.com. Although Hy-Drive has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Hy-Drive undertakes no obligation to update forward-looking information if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking information.